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ABSTRACT

The characteristics of California's Student Aid Commission grant program applicants and recipients were examined to assess the extent to which aid programs meet state goals. Attention is directed to major problems confronting the three Cal Grant programs and a range of possible policy and program options. The three programs are: Cal Grant A State Scholarship Program; Cal Grant B Opportunity Grant Program, and Cal Grant C Occupational Training Grant Program. Policy options for the number and size of grants, eligibility requirements, the distribution of grants, and improved procedures are addressed, along with the question of program consolidation of the financial aid programs. Ten major trends concerning the aid programs, student applicants, and grant recipients are identified, including: increasing competition for available awards; low rates of application completion, particularly in the Cal Grant B program; little increase in applications and declines in eligible applicants for private institutions; relative declines in middle-income applicants; an increasing gap between number of grants and number of financially needy applicants; an increasing impact of eligibility limitations; and a reduced proportion of awards to new high school graduates. (SW)

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The Commission consists of 15 members. Nine represent the general public, with three each appointed by the Speaker of the Assembly, the Senate Rules Committee and the Governor. The other six represent the major educational systems of the State.

The Commission holds regular public meetings throughout the year at which it takes action on staff studies and adopts positions on legislative proposals affecting postsecondary education. Further information about the Commission, its meetings, its staff, and its other publications may be obtained from the Commission offices at 1020 Twelfth Street, Sacramento, California 95814; telephone (916) 445-7933.

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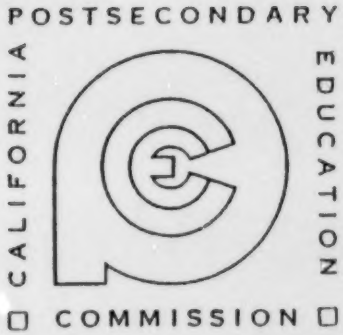
POLICY OPTIONS FOR THE CAL GRANT PROGRAMS

The Second of Two Reports
on California Student Aid Commission Grant Programs
Requested by the Legislature in Supplemental Language
to the 1984-85 Budget Act



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

Commission Report 85-26

Adopted April 15, 1985

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INTRODUCTION

During the last five years, the cost of attending college in California increased sharply, while the State increased student aid funds only minimally, and the federal government reduced its aid programs. As a result, concern has risen about the continued ability of the State's grant programs to provide college access and choice to financially needy undergraduates.

This increasing concern was evident in Supplemental Language adopted by the Legislature in the 1984-85 Budget Act calling on the Commission to examine the California Student Aid Commission's grant programs:

> Student Financial Aid Study. In order to assess the extent to which existing state student financial aid programs meet stated goals, the Legislature directs the California Postsecondary Education Commission to examine the characteristics of Student Aid Commission grant program applicants and recipients over the past several years. This assessment should include, but not be limited to, an analysis of the following:
>
> (a) the characteristics of applicants and application patterns;
>
> (b) program provisions affecting eligibility;
>
> (c) characteristics of recipients and distribution of awards among students and segments;
>
> (d) mechanisms and program provisions affecting the distribution of awards, including determination of need, income ceilings, number of first-time awards, and criteria for rationing available first-time awards;
>
> (e) program relationships including the interaction among state grant programs and between state programs and [the] federal Pell Grant program; and
>
> (f) the renewal process including the community college reserve portion of the Cal Grant A program and renewal requirements for other Cal Grant A and B recipients.
>
> The Postsecondary Education Commission shall submit a preliminary report on program characteristics to the Joint Legislative Budget Committee and the fiscal committees by November 30, 1984, and a final report outlining a range of possible policy options and their implications by February 15, 1985 (Item 6420-001-001).

The first part of the Commission's response to this legislative charge, Characteristics of Cal Grant Applicants and Recipients: A Preliminary Report on California Student Aid Commission Grant Programs, was adopted in December 1984. It focused on those California undergraduates who in recent

years applied for financial assistance from the State's two major undergraduate grant programs -- the Cal Grant A State Scholarship Program and the Cal Grant B Opportunity Grant Program -- and the much smaller Cal Grant C Occupational Training Grant Program. It also examined each program in terms of the Legislature's charge in its Supplemental Language, including recent trends in application patterns, provisions affecting eligibility, characteristics of applicants and recipients, factors affecting the distribution of awards, program interaction, and the renewal process.

That report identified ten major trends that characterize these three programs and their student applicants and grant recipients:

1. Increasing competition for available awards;

2. Low rates of application completion, particularly in the Cal Grant B program;

3. Little increase in applications from independent institutions;

4. Declines in eligibile applicants from independent institutions;

5. Relative declines in middle-income applicants;

6. An increasing gap between number of grants and number of financially needy applicants;

7. An increasing impact of eligibility limitations;

8. A reduced proportion of awards to new high school graduates;

9. An increasing gap between the size of each grant and educational costs; and

10. Low rates of renewal among Community College students.

Throughout, it attempted to identify the factors responsible for changes in these program characteristics.

This current report reviews the major problems confronting the three Cal Grant programs in achieving their stated goals and then outlines a range of possible policy and program options and their implications for students, institutions, and the State.

The issues raised in this final report -- addressed initially in Characteristics of Cal Grant Applicants and Recipients -- include these questions:

1. Are the State's three major Cal Grant programs effectively meeting their stated goals and the needs of California's financially needy college and university undergraduates?

2. If not, why not? What factors prevent their achievement? For example, do existing eligibility requirements, program provisions, funding levels, or statutory limits on the number of grants most adversely affect the attainment of these goals?

3. What changes in policy would help improve their attainment?

4. And what would be the implications of various options for accomplishing these changes?

This report and the one preceding it are part of a series of reports stemming from the Commission's comprehensive analysis of how California students meet the costs of attending college and of the effectiveness of existing State and federal financial aid programs in assuring access for needy students.

The first part of this Commission analysis was the staff report, Meeting the Costs of Attending College, released in April 1984. That initial report examined the financial characteristics of the State's undergraduates and the differences in the economic circumstances of students attending the different segments, explored the cost of attendance in the segments, looked at the factors that produce cost differences, analyzed how undergraduates and their families meet the cost of attendance, and described how similar students in different segments use parental contributions, student contributions, grant aid, and loans to meet their college costs.

Two other recent Commission reports dealing with financial aid that complement this one are its Proposal for a California State-Funded Work-Study Program (1985a) and Mortgaging a Generation: Problems and Prospects of the California Guaranteed Student Loan Program (1985b). Together with this report, they seek to cover the three major types of financial aid available to California students -- loans, grants, and work-study.

SOURCES OF DATA

The primary sources of data for this analysis are the California Student Aid Commission's complete applicant/recipient files for both first-time and renewal applicants for Cal Grant A, B, and C awards for 1980-81 through 1983-84, and its files on institutional costs and characteristics. These computerized data files have been merged into four student aid master files by Postsecondary Education Commission staff -- one file for each of the four application/award years. These files contain specific information on the demographic, financial, and academic circumstances of each applicant, as well as an assessment of the applicants' costs or "budget" at the institution that he or she seeks to attend, the ability of parents to contribute toward meeting these costs, the applicant's individual earnings, eligibility for federal Pell Grant aid, and other relevant data.

Information gained from the analysis of these data were supplemented with data on program characteristics published by the Student Aid Commission Research Office, the Student Aid Commission's Student Expenses and Resources Survey, the College Scholarship Service, and other available sources.

ORGANIZATION OF THE REPORT

Because the Commission described the three Cal Grant programs at length in Characteristics of Cal Grant Applicants and Recipients, this current report only summarizes that information.

- Chapter One examines the effectiveness of the Cal Grant programs in achieving their stated goals and in meeting overall goals for State financial aid and the needs of students.
- Chapter Two presents policy options regarding the number of grants.
- Chapter Three examines options regarding the size of grants.
- Chapter Four outlines options regarding eligibility requirements.
- Chapter Five presents options regarding the distribution of grants.
- Chapter Six explores possible policy options regarding improved procedures.
- And Chapter Seven analyzes the question of program consolidation.

ONE

EFFECTIVENESS OF THE CAL GRANT PROGRAMS

Each of California's three major undergraduate financial aid programs was created with distinct goals and objectives.

- The Cal Grant A program, established as the California State Scholarship program in 1955-56, provides grants to a limited number of academically talented but financially needy undergraduates so that they can complete four years of college at the institution of their choice. Demonstrated financial need and prior academic achievement have always been prerequisites for these competitive grants and the program's basic objective remains largely unchanged -- to assist academically able, financially needy students to attend either public or independent colleges and universities.

- The Cal Grant B program, established as the California Opportunity Grant Program in 1968-69, assists low-income disadvantaged students by providing grants to help cover subsistence costs immediately and then tuition and required fee costs after the first year. Designed to enable students from groups who have been underrepresented historically in higher education to attain a baccalaureate degree, the Cal Grant B program selects recipients using a complex scoring system that considers not only high school grade-point averages, but family income, level of parental education, family size, and a series of responses to questions about the applicant's life and career goals. The program's primary purpose is to assure access, but it provides some degree of choice among different colleges and universities but requires that 51 percent of all new recipients initially attend a Community College.

- Finally, the Cal Grant C program, established in 1973-74 as the Occupational Training Grant Program, provides grant assistance for vocational training to students from low- and middle-income families. To be eligible, applicants must be enrolled in a vocational program of from four months' to two years' duration at a Community College, independent institution, postsecondary vocational-technical school, or in a three-year hospital-based registered nursing program. The Cal Grant C program is aimed specifically at vocationally rather than academically oriented students and is designed to provide training for them in manpower short areas.

While each of these three programs has its own distinct focus and purpose, all share certain common assumptions about general State goals. The most complete enunciation of State objectives for financial aid remains Article I, Section 69500, of the Education Code, which states:

> The Legislature finds and declares that:
>
> (a) Student assistance programs have the primary purpose of providing equal opportunity and access to postsecondary

education for persons of both sexes, and all races, ancestries, incomes, ages, and geographies in California;

(b) Student aid programs should enhance the ability of individuals to choose the most appropriate postsecondary educational opportunity and among different institutions;

(c) Student aid programs should assist students to progress through the educational program in accordance with the individual's educational objectives;

(d) Student aid programs should provide assistance to individuals who desire to enroll in an independent college or university;

(e) Student aid programs should, furthermore, complement more general statewide goals for public postsecondary education;

(f) State purposes regarding student aid programs should complement the purposes of federal student assistance programs so as to enhance the effectiveness of state programs; the state's purposes mentioned above serve to enhance the purposes of the Federal Basic Educational Opportunity Grant [now Pell Grant] Program.

During the first four years of this decade, the Cal Grant programs have become less and less effective in meeting these goals and the needs of California undergraduates. Their major problems can be categorized into five problem areas, as follows:

1. NUMBER OF GRANTS

Between 1980-81 and 1983-84, the statutory limits on the number of new awards in all three programs were not increased, but the number of financially needy applicants increased sharply, as did the competition for the limited number of new grants.

- The number of needy eligible applicants for Cal Grant A awards who were turned down without a grant increased from 15,215 to 27,208.
- The gap between the number of needy eligible applicants and authorized new Cal Grant B awards widened from 10,692 to 26,498.
- The gap between available awards and needy eligible applicants was widest in the Cal Grant C program -- expanding from 5,981 to 10,996.

2. SIZE OF GRANTS

The rapid increases during the early 1980s in the costs of attending either public or independent institutions exceeded the rate of inflation, the rise

in family incomes, and the availability of federal Pell grants, but reduced the assistance of Cal Grant awards. The lack of adjustment in the maximum amount of Cal Grant awards for these increases meant that recipients got insufficient funds from their grants to cover their educational costs:

- The unmet need of Cal Grant A recipients rose from $1,622 in 1980-81 to $2,889 in 1983-84 at the State University, $1,374 to $2,474 at the University, and from $2,124 to $4,320 at independent institutions -- increases of $1,267, $1,100, and $2,196, respectively.

- The unmet need of Cal Grant B recipients increased even more. Because first-year recipients cannot receive grants for tuition or fees, extremely low-income first-year recipients face major costs at four-year institutions that are not covered by either their Pell or Cal Grants. In fact, by 1983-84, the average remaining need of these first-year recipients ranged from $2,175 at the State University to $7,460 at independent institutions.

- The same general trend was evident for Cal Grant C recipients, because their maximum grants have not been increased since the program's inception in 1973-74, while college and proprietary school costs have risen sharply.

- One of the consequences of the failure of both federal and Cal Grant aid to increase the number of awards or to cover their traditional share of college costs has been a substantial increase in the number of students relying on loans to help finance their educations and a rise in their average cumulative indebtedness.

3. LIMITS ON ELIGIBILITY

Each program has certain provisions that affect eligibility and the distribution of new awards:

- All programs require potential recipients to demonstrate financial need, but over the four years they all restricted eligibility still further.

  The Cal Grant A and C programs use the same income ceiling. Yet after 1981-82, this income ceiling was not adjusted to reflect inflation. This eliminated sizable numbers of the most academically able Cal Grant A applicants from the University and independent institutions. Its impact was less dramatic in the Cal Grant C program only because a smaller proportion of its applicants exceeded the income ceiling.

  The Cal Grant B program, on the other hand, uses an income-family size matrix in its scoring system to limit eligibility. It eliminated sizable numbers of applicants from large families with incomes over $22,500 because it weighted income more heavily than family size in determining program eligibility.

- The statutory limit on new awards greatly increased competition for available new grants and made all elements for rationing each program's awards more sensitive. In the Cal Grant A program, heightened competition raised the grade-point cutoffs, particularly in 1981-82. In the Cal Grant B program, all elements of its complex scoring system became relatively more important, but most decisive were applicants' grade-point averages and the scores they received on a series of subjective questions about their backgrounds and goals. Finally, in the Cal Grant C program, with nine eligible applicants for every available new grant, the designation of job market shortage occupations and all elements in its scoring system proved critical for selection.

4. DISTRIBUTION OF GRANTS

Dramatic increases in the number of older applicants decreased the chances of Cal Grant A and C applicants just finishing high school to secure grants:

- In the Cal Grant A program, the practice of allocating new awards on the basis of the percentage of needy eligible applicants at each academic level, together with this increase in the number of older applicants, shifted more new grants to self-supporting applicants and to those who were already enrolled in college and away from those applying directly from high school.

- In contrast, the 16-unit limitation for eligibility in the Cal Grant B program assured that almost all of its new grants went to recent high school graduates.

- Yet in the Cal Grant C program, older applicants included students already enrolled in vocational programs as well as those seeking job retraining and those who had begun their postsecondary education in academic programs and then switched to vocational-technical training. These older applicants secured a larger percentage of available new Cal Grant C awards than young applicants by scoring better on the program's eligibility criteria, since a greater percentage of these awards were not reserved for those who had already begun their postsecondary education.

- Furthermore, the Community College reserve portion of the Cal Grant A program provides between 2,000 and 3,000 new reserve awards each year to high-ability students who plan to transfer to a four-year institution after attending a Community College. However, less than half of the new recipients in the reserve program either renew their awards or transfer with them the following year, and even fewer remain in the program at the end of two years. These numbers are quite low considering the recipients' high level of prior academic achievement.

- The renewal rate of first-year Cal Grant B recipients attending Community Colleges is slightly above 60 percent, but it is unclear how many of these recipients eventually transfer successfully to four-year institutions and complete their baccalaureate. Moreover, Community College students who did not apply for a Cal Grant B award before starting college are

ineligible to receive a Cal Grant B award if they need financial aid when they transfer to a four-year institution.

5. PRACTICES AND PROCEDURES

While the primary focus of this report is on policy options that could improve the effectiveness of the Cal Grant programs, several practices and procedures have an important bearing on who the programs serve and their effectiveness. These include: (1) the manner in which applications are processed and awards distributed, (2) the early February application deadline, and (3) procedures used to notify appropriate institutions about Community College reserve winners.

The next five chapters discuss each of these five major problem areas in turn, identify policy options that might prove effective in reducing the problems, and examine the implications of each option for program effectiveness, students, institutions, and the State. Then the final chapter discusses the pros and cons of consolidating the two largest programs.

TWO

OPTIONS REGARDING THE NUMBER OF GRANTS

Between 1980-81 and 1983-84, statutory limits on the number of new Cal Grant A awards remained at 14,933, but as Chapter One noted, the number of financially needy, eligible applicants who were turned down without a grant increased from 15,215 to 27,208. While the number of statutorily authorized new Cal Grant A awards was increased to 16,500 in 1984-85, there was little significant reduction in the growing gap between authorized awards and needy eligible applicants.

Between 1980-81 and 1983-84, the number of new Cal Grant B awards declined from 6,995 to 6,825, but the number of financially needy eligible applicants who were turned down without a grant increased from 10,692 to 26,498. Most of these fully qualified applicants were from extremely low-income, disadvantaged families, and yet for every one who received a new Cal Grant B award, more than three were turned away. While the number of statutorily authorized new Cal Grant B awards was increased to 7,500 in 1984-85 and the Governor's Budget proposes a further 750 award increase for 1985-86, there was little significant reduction in the growing gap between authorized awards and needy eligible applicants.

In the Cal Grant C program, the gap between the number of eligible applicants and the number of available awards widened from 5,981 to 10,996, and the ratio of successful to unsuccessful applicants increased from 1:4 to 1:8. The major reason was that the number of first-time awards authorized in the program has remained at 1,337 since 1974-75 despite increasing interest in vocational-technical education and rising costs.

Two major options would help resolve this problem:

OPTION 1: Incrementally Increase the Number of New Awards

Implications for Cal Grant A and B

1. Increasing the number of authorized new awards would permit the Cal Grant A and B programs to reduce their nearly three-to-one and five-to-one ratios of fully eligible applicants to new recipients and serve more financially needy undergraduates seeking such assistance to attend college.

2. It might slow or reduce slightly the erosion since 1977-78 in the number of new Cal Grant A recipients attending independent institutions, but it would do little to eliminate the root causes of that erosion, which include the failure to increase significantly the size of their applicant pool and the impact of program eligibility limitations such as the

income ceiling, and it would not significantly halt the erosion of new Cal Grant B recipients attending independent institutions.

3. Depending on the number of future applicants and program eligibility requirements, additional new Cal Grant A awards might lower the grade-point cutoffs for grants somewhat and thereby increase the diversity of new recipients.

4. There is no clear policy basis for determining how many additional new grants might be appropriate to authorize, since the major cause of the growth in the number of program applicants has been the sharp rise in the cost of attending California's colleges and universities -- a rate higher than both the general rate of inflation and the rate of growth in family incomes -- and not increases in recent high school graduates, college-going rates, or overall undergraduate enrollment. On the other hand, current statutory limits were based on ad hoc assessments of program requirements in 1977-78 with one incremental adjustment in 1984-85 and another 1,000 Cal Grant A's and 750 Cal Grant B's proposed in the Governor'a Budget for 1985-86.

5. It would increase the overall costs of the two programs, although the amount of that increase would depend on the number of additional awards authorized, the additional recipients' segment of attendance, and the cost implications of any simultaneous changes in other program features.

Implication for Cal Grant C

1. The implications of incrementally increasing the number of first-time Cal Grant C awards are generally the same as those for the other two programs except that in this case it would increase access to vocational-technical training programs in Community Colleges and proprietary institutions for the large number of youth and older adults who have applied in recent years seeking to acquire new job skills.

OPTION 2: Create an Entitlement Program with All Qualified Applicants Receiving Grants

Implications for Cal Grant A

1. Providing grants to all qualified applicants would require a tremendous increase in the number of first-time awards. If current eligibility requirements for Cal Grant A were maintained (demonstrated financial need and an income below the ceiling), over 27,000 additional awards would be required and it would become an extremely expensive program to operate. The number of State University recipients would nearly quadruple, the number of University recipients would approximately double, and the number of independent institution recipients would increase nearly two and a half times.

2. If current eligibility criteria were supplemented by a minimum grade-point average to qualify, the number of additional awards required would be lower than in the first example, but the size of the increase would depend on the grade-point floor specified.

3. Creating an entitlement program would reverse the erosion in the number of new Cal Grant A recipients attending independent institutions, but would not eliminate the root causes of that decline.

4. The creation of an entitlement program would make budgeting for the program difficult since the State would not know in advance with any assurance just how many qualified students might apply in any year, where they wished to attend, or what total program funding would be. The magnitude of the overall cost increase for a Cal Grant A entitlement program would depend on the specific eligibility requirements adopted, the number of additional qualified applicants, their segment of attendance, and the cost implications of any simultaneous changes in other program features, such as grant amounts.

Implications for Cal Grant B

1. If existing eligibility criteria were employed (demonstrated financial need and a minimum required score on the income-family size matrix), at least 26,500 additional first-time Cal Grant B awards would have been required in 1983-84. Because the income-family size matrix, weights income heavily and pays less attention to family size, there are additional financially needy, low-income, disadvantaged students who should qualify for eligibility. This would further increase the required number of additional awards.

2. If the existing eligibility requirements were modified to better reflect the financial circumstances of low-income students from large families and a minimum grade-point floor were instituted, the number of additional awards required would not be as great as in the first example, but would still be considerable.

3. Implementation of an entitlement program would probably require the elimination of the 51-percent rule requiring that half of all new awards go to Community College students because less than half of all qualified applicants currently seek to attend Community Colleges and continuing the rule would arbitrarily restrict choice for some new recipients.

4. The creation of an entitlement program would create the same budgeting difficulties for Cal Grant B as for Cal Grant A.

Implication for Cal Grant C

1. The implications of creating an entitlement program for Cal Grant C are largely the same as those for the other two programs. It would require an increase of 10,996 additional new awards, a eight-fold increase, using existing eligibility requirements. Tighter observance of the manpower-shortage requirements in the initial enabling legislation, however, would limit the size of the increase.

All three Cal Grant programs were neglected during the difficult budget years in the early 1980s, and the lack of expansion at a time when the number of applicants was growing rapidly in response to rising college costs created the problem of inadequate numbers of first-time grants. While all three programs have strong claims for additional new grants, the Cal Grant B program probably deserves top priority, since the State's primary goal for its financial aid programs is promoting equal opportunity and access. The provision of additional new awards for the Cal Grant B program would contribute more strongly to the achievement of that goal than any other steps that could be taken because the qualified low-income and ethnic minority Cal Grant B applicants currently being turned down without grants are generally desperately needy, and many of them are unlikely to be able to attend college without financial assistance.

THREE

OPTIONS REGARDING THE SIZE OF GRANTS

The maximum Cal Grant A award for State University and University recipients covered 100 percent of the average fees at those institutions up until 1981-82, but only 40 and 64 percent of average fees, respectively, by 1983-84. At independent institutions the maximum grant authorized in statute covered 69 percent of average tuition and required fees in 1980-81 but only 52 percent in 1983-84. Further, the percentage increase in maximum State University and University grants in 1984-85, and the upward adjustment from $3,400 to $3,740 in the maximum grant for recipients at independent institutions, only slightly reversed these trends and did not restore earlier coverage levels.

The tuition and fee maximums in the Cal Grant B program were slightly lower, but the trend toward increasingly inadequate coverage of required fees in all segments applies here too.

The tuition-grant portion of Cal Grant C now covers less than 60 percent of tuition and required fees at independent and proprietary institutions. The $1,100 subsistence portion of Cal Grant B awards remained unchanged for more than a decade despite substantial increases in living costs, and was then adjusted upward to $1,200 in 1984-85. On the other hand, the $500 portion of the Cal Grant C award that covers educationally-related costs has never been increased.

Four major options exist to help resolve these problems:

OPTION 1: Increase the Maximum Cal Grant Award by a Flat Percentage

Implications for Cal Grant A

1. Increasing the maximum grant in each segment by a flat percentage would help restore some of the grants' traditional coverage of tuition and required fees and partially reduce the marked increase in remaining financial need among Cal Grant A recipients.

2. Relying on a flat percentage increase in maximum grants follows the procedure used by the Student Aid Commission in 1984-85 and proposed in the Governor's Budget for 1985-86, but it does less to restore past grant coverage levels in the public segments (generally 100 percent of required fees) than at independent institutions (never more than 95 percent of tuition and required fees, and generally 75 percent or less during the past decade).

3. This option would continue the recent three-tiered maximum grant structure that was an ad hoc response to budgetary cuts and restraints in recent years, rather than restoring the original long-standing practice of setting maximum grants at the level of tuition and required fees, unmet need, or a single specified maximum, whichever was less for each recipient.

4. Increasing the maximum grant would increase overall program costs with the total cost depending on the size of the increase in award levels and the cost implications of any simultaneous changes in other program provisions.

Implications for Cal Grant B

The implications of this option for Cal Grant B are the same as the four outlined above for Cal Grant A with one exception -- the subsistence portion of the Cal Grant B award. This portion was not adjusted to reflect either inflation or the rising non-instructional portions of student budgets until 1984-85, when it was increased from $1,100 by an arbitrary 10 percent. Increasing the subsistence portion of these grants annually to reflect either inflation in general or increases in non-instructional costs would maintain the purchasing power of the Cal Grant B award for its especially needy recipients. It would also help compensate for the failure of federal financial aid programs to offset increasing college costs.

Implications for Cal Grant C

The implications of this option for Cal Grant C would be largely the same as for the other two programs. In this case, neither the tuition portion of the grant for recipients attending independent or proprietary institutions and the supplementary-educationally-related cost portion for all recipients has been adjusted since the program's inception in 1973-74 despite rapidly rising costs.

OPTION 2: Increase Funding to Restore Full Fee Coverage for Public Universities' Recipients and Raise the Maximum Grant to Reflect Inflation

Implications for Cal Grant A

1. Restoring full-fee coverage for State University and University recipients would return State practice to what it was from this program's inception until budget constraints prompted its abandonment in 1981-82.

2. Raising the maximum grant to reflect the impact of inflation at independent institutions would restore coverage to a larger portion of tuition and fees.

3. Indexing future increases in the maximum grant to inflation would follow the more general State practice of adjusting baseline budgets to reflect changes in actual purchasing power. At the same time, it would not obligate the State to increase the maximum grant by greater amounts if independent institutions raise their tuition and required fees by more than the rate of inflation.

4. This two-step adjustment in current and future maximum grants would restore the original, long-standing practice of setting and adjusting maximum grants to cover tuition and required fees, unmet need, or a single specified maximum, whichever was less for each recipient.

5. Increasing the maximum grant in this manner would increase overall program costs with the total cost depending on the size of the increase needed to restore full-fee funding at public four-year institutions, index the overall maximum for inflation, and the cost implications of any simultaneous changes in other program provisions.

Implications for Cal Grant B

The implications for this option for Cal Grant B are identical with those for Cal Grant A except for the subsistence grant portion of the Cal Grant B award. Increasing this portion annually to reflect either inflation or general increases in non-instructional costs would maintain the purchasing power of the Cal Grant B award for its especially needy recipients. It would also help compensate for the failure of federal financial aid programs to offset increasing college costs.

Implications for Cal Grant C

This option would not apply to Cal Grant C because only the Community Colleges among the public segments participate, and there is currently no fee coverage for Community College recipients.

OPTION 3: Adjust the Maximum Grant to Cover a Predetermined Percentage of Recipients' Remaining Financial Need in All Segments.

Implications for Cal Grant A

1. This approach to increasing the maximum grant would reduce recent marked increases in remaining financial need among Cal Grant A recipients regardless of institution attended.

2. Setting the maximum grant at a predetermined percentage of remaining financial need (Student Aid Commission approved student budget minus expected parental and student contributions) would provide larger grants

for those students with the greatest financial need. Low-income students in all segments have greater remaining financial need than most middle-income students attending even the most expensive institutions, yet current policy limiting the maximum grant to tuition and/or required fees means that low-income recipients at all four-year institutions have a smaller percentage of their remaining need covered by their Cal Grant A award than do middle-income recipients in these institutions.

3. This approach to setting maximum grant levels would mark a major departure from current practice, but it would be more sensitive to actual differences in financial need among recipients; and, by covering a fixed percentage of remaining need, it would provide a greater degree of equity in the treatment of recipients than the current system.

Implications for Cal Grant B

The implications of this option for Cal Grant B are nearly identical to the four cited above with one exception -- the combination of the subsistence and tuition portions of the Cal Grant B award into a single grant based on a specified percentage of need. The current policy of providing a subsistence as well as a tuition and fee grant in the Cal Grant B program is an attempt to have grants reflect the greater financial need of low-income disadvantaged students, but setting the maximum grant at a percentage of need would provide a more exact reflection of each student's remaining need.

OPTION 4: Provide First-Year Cal Grant B Recipients at Four-Year Institutions with the Same Tuition and Fee Coverage as Renewal Recipients

The Cal Grant B grants for first-year recipients help cover only subsistence costs. The original purpose of this provision was to encourage at least half of all Cal Grant B recipients to attend Community Colleges initially, but it is no longer required for that purpose because legal rulings require that 51 percent of all new awards go to Community College students.

The major impact of the subsistence-only provision seems to be to discourage applications from low-income applicants who want to use these awards to attend four-year institutions and to increase significantly the level of unmet need of new low-income recipients. At the University, for example, the average remaining need of new recipients increased from $1,310 in 1980-81 to $2,860 in 1983-84, while for renewal recipients it rose from $895 to $2,184. At independent institutions, the increasing levels of remaining need for these especially needy recipients increased substantially as well, but the difference in coverage between first-year and renewal recipients was even wider -- from $4,800 to $7,460 in remaining need for first-year recipients to $1,785 to $4,120 for renewal recipients.

These patterns raise fundamental questions about the equity and advisability of confronting extremely low-income, first-year recipients in the four-year institutions with higher remaining need their initial year than they are likely to experience in subsequent years. These students face substantial personal and financial obstacles to securing a college education that the no-fee provision only compounds.

Implications of Option 4

1. Providing first-year fee coverage for recipients at four-year institutions would eliminate the sizable difference in remaining need between first-year and renewal recipients.

2. It would simplify the already complex process of financial aid packaging experienced by low-income, disadvantaged recipients and thereby reduce the formidable financial barriers to college attendance.

3. It would likely increase the grant component of these students' financial aid package and reduce the levels of aggregate indebtedness that greater reliance on loans creates.

4. It would not alter the distribution of recipients between two-year and four-year institutions because of the program's 51 percent requirement, but it would probably make four-year institutions a more attractive option for some low-income, disadvantaged students.

5. It would increase overall program costs, with the total cost depending on the segmental distribution of recipients and the cost implications of any simultaneous changes in other program provisions.

FOUR

OPTIONS REGARDING ELIGIBILITY REQUIREMENTS

Both the Cal Grant A and B programs have specific eligibility provisions that limit their effectiveness in achieving program goals. These problems are program specific and are identified in turn below, along with possible policy options. The only Cal Grant C eligibility provisions that cause problems at this time are those related to the identification of job shortage areas. That problem was identified by the Auditor General and was the subject of a Student Aid Commission consultant's report which outlined corrective actions that are now being implemented. None of the other options that follow apply to the Cal Grant C program.

THE INCOME CEILING IN THE CAL GRANT A PROGRAM

The Cal Grant A program requires potential recipients to demonstrate financial need and to come from a family with an income below a specified ceiling. Since 1981-82, the program's variable income ceiling has not been adjusted to reflect inflation. Almost the entire increase of independent institutions' applicants occurred among those from families whose incomes were above this ceiling, as did at least 60 percent of the increase in the University's applicant pool. Thus the lack of adjustment in the income ceiling to reflect the impact of inflation on family incomes combines with application patterns to eliminate sizable numbers of the most academically able Cal Grant A applicants from the University and independent institutions, many of whom could demonstrate financial need and come from families with incomes that, in constant dollars, were once eligible to participate in the program.

OPTION 1: Annually Adjust the Cal Grant A Income Ceiling to Reflect the Impact of Inflation on Family Incomes

Implications

1. Adjusting the variable income ceiling by the change in the median family income of California families whose heads were old enough to have children in college would maintain eligibility at current levels in constant dollars.

2. Annual adjustment would not produce the kind of displacement that has created controversy in the past when proposed adjustments in the ceiling exceeded the rate of inflation and led to the displacement of some low-income and ethnic minority recipients by other more affluent, but financially needy applicants.

3. Adjusting the income ceiling by only the rate of inflation would not make up for past years when no adjustments were made. Thus, this approach would do little to restore eligibility to the types of students who once were eligible to participate.

4. The continued reliance on an income ceiling to limit eligibility among those applicants with demonstrated financial need ignores the fact that income is only a crude index of families' ability to pay for their children's education.

OPTION 2: Replace the Cal Grant A Income Ceiling with a Parental Contribution Ceiling

The "parental contribution" is the amount parents are expected to contribute from their discretionary income and assets toward their children's education and is generally considered the most accurate and fair assessment of families' ability to pay.

Implications

1. The parental contribution ceiling would substitute a more precise assessment of ability to pay for the current, rather crude variable income ceiling.

2. It would lead to displacement of some low-income, minority recipients because of minor changes in the grade-point cutoffs needed to limit awards to currently authorized levels even if attempts were made to maintain the size and character of the current eligibility pool as closely as possible. The implementation of the new parental contribution ceiling would therefore require authorization for additional new awards to avoid such displacement.

3. Its cost of implementation would be the amount needed to fund the number of new awards required to avoid displacing low-income recipients. The number of new awards required would depend on how high the parental contribution ceiling was set (a $5,500 to $6,000 parental contribution ceiling is roughly equivalent to the current 1984-85 income ceiling of $45,000 and would require at least 1,000 additional awards).

THE 16-UNIT LIMITATION IN THE CAL GRANT B PROGRAM

The Cal Grant B program requires potential recipients to have completed no more than 16 units of college-level work, demonstrate financial need, and score at least four points on a complicated income-family size scoring matrix. Two of these requirements make some low-income, disadvantaged students ineligible for Cal Grant B awards despite their obvious need for financial assistance if they are to attend college at all.

The 16-unit limitation prevents all but high school seniors and other who have not yet attended a postsecondary institution from applying for and receiving a Cal Grant B award. This limitation prevents those who begin their college careers at either a Community College or a four-year institution from applying for a Cal Grant B award if they discover that they cannot afford to continue their education without financial assistance. This limitation also prevents those who applied as high school seniors but lost out in the increasingly stiff competition for the limited number of awards from reapplying if they have attended college in the interim. Furthermore, it prevents low-income, disadvantaged Community College students who seek to transfer from applying for Cal Grant B aid to attend a four-year institution and complete their baccalaureate degrees.

OPTION 1: Extend Eligibility for First-Time Cal Grant B Awards to Freshmen and to Community College Transfer Students

Implications

1. This option would strengthen the primary access goal of the program by extending eligibility to low-income disadvantaged college students who needed additional financial aid in order to continue with their education or to transfer to a four-year institution.

2. The number of high school seniors receiving new awards would decrease somewhat unless the total number of first-time awards were increased.

3. The mixture of high school grade-point averages and college grade-point averages might require separate treatment for those at each academic level, but grades count less heavily in the Cal Grant B scoring system than they do in the Cal Grant A program.

4. This approach might require some modification in the 51 percent rule, particularly with respect to Community College transfer recipients attending four-year institutions. If not, there would be little change in the segmental distribution of new Cal Grant B recipients.

THE INCOME-FAMILY SIZE MATRIX OF THE CAL GRANT B PROGRAM

Another aspect of the Cal Grant B scoring system is its income-family size matrix that assigns between zero and 20 points to applicants (out of a total possible score of 100) depending on where they fall within the matrix. Applicants scoring below four points on this part, however, are considered ineligible to receive an award, no matter what they score on the other four parts.

A close examination of the income-family size matrix suggests that it places too great an emphasis on income in its scoring and not enough weight on family size. For instance, a single self-supporting student with an income under $5,000 from a household of one receives 18 out of a possible 20 points -- the same score as a dependent student from a family of 14 with an income of $7,000 to $7,999. Applicants from a family of six with an income of just $20,500 would score less than the minimum required four points and so would applicants from families of 11 or more when their incomes exceed $22,500. These comparisons are not made to suggest that anyone currently receiving a Cal Grant B award cannot demonstrate significant financial need as well as other evidence of disadvantagement, or that any grants are going to applicants who do not desperately need them if they are to attend college. Our review of the income-family size matrix does suggest, however, that sizable numbers of similarly needy, disadvantaged applicants are being turned down because their incomes exceed an arbitrary level on a matrix that does not adequately reflect the financial circumstances of applicants from large families.

OPTION 1: Adjust the Cal Grant B Income-Family Size Matrix and Scoring System to Reflect More Adequately the Financial Circumstances of Applicants from Large Families

Implications

1. The readjustment of the matrix to better reflect family size and its impact on families' ability to contribute to college costs would permit more low-income, disadvantaged students from large families to compete for Cal Grant B awards.

2. The Uniform Methodology's treatment of family size, income, and the ability to pay might provide a useful starting point for the reexamination of the income-family size matrix.

3. Extending eligibility to low-income students from large families would heighten the competition for available awards. Unless the number of authorized first-time awards is increased, their eligibility would be little more than a hollow promise of assistance.

4. There would be no direct costs associated with this change in eligibility.

SUBJECTIVITY OF QUESTIONS IN THE CAL GRANT B SCORING SYSTEM

Thirty percent of the maximum possible 100 points used in the Cal Grant B scoring system consists of two sets of 19 statements about the applicant's life and goals. The first eight consist of responses to the phrase, "I want to attend college in order:" with such options as "To follow through with my goals and gain a better perspective on life," "To make my community a better

place in which to live," and "To get more education so that I may earn more money to help my family." The second set focuses on how the applicant describes himself or herself, and the 11 possible responses include such statements as "I come from a family of migratory farm workers," "My family gets help from welfare or social security," "I do not speak English at home," "I do well in most classes," and "I cannot attend college without financial help." The applicant's score for this element depends on how many responses are circled.

While the obvious purpose of the statements is to try to determine the level of disadvantagement of the applicants and something about their aspirations, the statements are naturally subjective and somewhat redundant. Unfortunately, the more precise applicants are in describing their situation, the fewer responses they will check and the lower their score will be. The subjectiveness of these questions and possible misunderstanding or manipulation by applicants suggests that this important part of the scoring system should be carefully reviewed to determine its appropriateness in measuring disadvantagement and its influence on the distribution of awards.

The recent College Scholarship Service report on the Delivery of Cal Grants also notes the possibility of manipulation in responding to these questions, and it suggests that the use of these and other questions may contribute to noncompletion of applications by a significant number of financially needy, disadvantaged students. This latter problem is quite serious in the Cal Grant B program and was fully noted in the Commission's report on the Characteristics of Cal Grant Applicants and Recipients. At the very least, these problems suggest the need for a careful review by the Student Aid Commission of the subjective questions used in the Cal Grant B scoring system and a determination as to whether some other more objective indices of disadvantagement can be developed that would eliminate the use of the Cal Grant Supplement Application at least for this program and possibly improve application completion rates from their current 60 percent level.

FIVE

OPTIONS REGARDING THE DISTRIBUTION OF GRANTS

ELIGIBILITY FOR CAL GRANT AWARDS AND DISTRIBUTION OF AWARDS

The current Cal Grant A program distributes available new grants to needy eligible applicants on the basis of their grade-point average. There are actually four grade-point cutoffs used, one for each academic level of applicants. The grade-point-rationing mechanism has been the subject of criticism for establishing either too high or too low a cutoff since it fluctuates depending on the number of needy-eligible applicants at each academic level.

OPTION 1: Base Cal Grant A Eligibility on Demonstrated Financial Need and a Minimum Qualifying Grade-Point Average and Distribute Awards on the Basis of Ascending Parental Contribution Levels

Implications

1. This option involves the adoption of new eligibility criteria and would also require a new distribution mechanism for rationing available awards.

2. Its impact would depend on the number of authorized awards, the grade-point floor selected, and the number of qualified applicants. If the grade-point floor were set below current levels and the number of awards remained unchanged, the number of recipients at independent institutions and the University would probably be reduced. If the grade-point floor were raised significantly above the current level, the number of low-income recipients, in general, and State University recipients, in particular, probably would be reduced.

3. If awards were allocated on the basis of ascending parental contribution levels with qualified applicants having the fewest resources having the highest priority for available awards, grants would go to those with the least ability to pay college costs.

4. The ascending parental contribution method of distributing awards creates problems in dealing fairly with independent or self-supporting students. If independent students' own resources are used to distribute new awards (since they receive no parental contributions), most self-supporting students would not likely receive grants under such a program structure. On the other hand, if self-supporting students are treated as having a zero parental contribution level, then self-supporting students meeting the grade-point floor would be assured awards and in all likelihood substantially fewer awards would be available for dependent students, including those from low-income families.

5. Because of the fixed number of new awards, there would need to be minimum need levels established or else a large number of awards would go to those with small amounts of need, while others with substantial remaining need received no assistance.

6. This approach to defining program eligibility and distributing available awards would mark a major departure from current methods. The consequences would depend not only on the number of authorized awards, the grade-point floor selected, and other new program provisions, but it would probably produce other changes that cannot be anticipated at this time.

DISTRIBUTION OF CAL GRANT A AWARDS TO HIGH SCHOOL SENIORS

The current practice of allocating new awards on the basis of the percentage of needy, eligible applicants at each academic level, together with a dramatic increase in the number of older applicants has shifted more new grants to self-supporting applicants and to those who were already enrolled in college and away from those applying directly from high school.

This shift may help financially needy, academically-able undergraduates stay in college and complete their degrees, but it does not significantly promote access or choice since these students are already attending college. While the policy of allowing applications from students who have not yet completed their junior year has beneficial implications for some Community College transfer students with solid academic records by permitting them to apply and possibly receive a Cal Grant A award after they transfer, it may not be the best way to accomplish this purpose, since most of the older students receiving these grants are already enrolled in four-year institutions.

OPTION 1: Limit Eligibility for New Cal Grant A Awards to High School Seniors.

Implications

1. This option would maximize the access and choice goals of the program by focusing new awards entirely on financially needy, academically talented students who have not yet enrolled in college.

2. The number of high school seniors receiving new awards would increase by 50 to 100 percent over the levels in recent years.

3. The number of renewal recipients would also increase in subsequent years because the vast majority of these new recipients would be eligible to renew their grants for up to three additional years if they continue to make satisfactory academic progress and still demonstrate financial need.

4. Limiting eligibility to high school seniors would be quite restrictive because it would deny eligibility to needy students who are already attending college, those who were unsuccessful applicants in high school and sought to reapply, and to Community College transfers to four-year institutions.

OPTION 2: Permit Students Who Have Not Yet Completed Their Freshman Year in College to Apply for New Cal Grant A Awards, But Eliminate Set Quotas for New Awards Based on the Percentage of Students at the Two Academic Levels

Implications

1. This option would increase the number of new awards to high school seniors and first-time freshmen and thus more effectively promote access and choice than the current practice.

2. There would be an increase in renewal recipients because of the greater number of years new award winners would be eligible to renew.

3. The elimination of quotas for new recipients at each academic level and the use of a single grade-point cutoff would be possible because high school grade-point averages would be used for both groups of applicants.

4. The inclusion of these two academic levels would permit applications from high school seniors, financially needy college freshmen who may have just learned about this grant program, and needy freshmen who were unsuccessful applicants for grants in high school, but it would not assist Community College students to transfer to four-year institutions unless they sought to transfer after their freshman year in college.

OPTION 3: Continue to Permit Students Who Have Not Yet Completed Their Junior Year in College to Apply for New Cal Grant A Awards, But Limit Eligibility for Those Who Have Completed More Than Their Freshman Year in College to Community College Transfer Students

Implications

1. This option would increase the number of high school seniors and freshmen receiving new Cal Grant A awards, but would also increase financial assistance to Community College transfer students.

2. The mixture of high school grade-point averages and college grade-point averages would probably require separate cutoffs at each academic level with the number of awards at each level based on the percentage of eligible applicants at each level.

3. This approach would give greater emphasis to the access and choice goals of the Cal Grant A program while also bolstering its assistance to Community College transfer students.

ELIGIBILITY FOR CAL GRANT B AWARDS

The Cal Grant B program currently restricts eligibility for its awards to low-income, disadvantaged students who have completed no more than 16 units of college work. As a result, it maximizes access by focusing awards on first-time freshmen, but at the same time excludes transfer students from applying for such awards when they seek to transfer. Since a large proportion of the State's low-income and minority students begin their postsecondary education in Community Colleges, the current 16-unit limitation restricts the potential of this program to assist disadvantaged students when they seek to transfer.

Option 1 on page 23 suggests extending eligibility for Cal Grant B awards beyond high school seniors to include both freshmen and Community College transfer students in order to improve program effectiveness, particularly to help insure that qualified low-income and minority students seeking to transfer to four-year institutions would not be prevented from doing so by program eligibility provisions.

SIX

OPTIONS REGARDING IMPROVED PROCESSES AND PROCEDURES

Several practices and procedures that have an important bearing on who the programs serve and how effectively include the manner in which applications are processed and awards distributed, the early February application deadline, and procedures used to notify appropriate institutions about Community College reserve winners.

IMPROVED APPLICATION AND DISTRIBUTION PROCEDURES

The number of students completing applications for Cal Grants is less than the number who begin the application process, particularly in the Cal Grant B program. In 1980-81, only 60.3 percent of those who started the Cal Grant B application process actually completed the required Student Aid Application for California (SAAC) and the Cal Grant Supplemental Application. In 1983-84, 59.4 percent did so. The comparable figures for the Cal Grant C program were 58.8 and 63.7 percent, respectively, and for the Cal Grant A program 72.5 and 73.4 percent. These figures strongly suggest that high achieving students from either low-income or more advantaged backgrounds have less difficulty than do disadvantaged students completing all the paperwork required to apply for financial aid. The Student Aid Commission has made efforts to simplify that process in recent years, but the problem persists and may stem in part from the continued requirement that applicants complete two separate applications.

OPTION 1: Replace Subjective Questions on the Cal Grant Supplement with More Objective Measures and Incorporate This Additional Information on the Application Form Itself

Implication for Cal Grant A

1. The only data required on the Cal Grant Supplement for Cal Grant A applicants is their grade-point average. This could be dealt with in several ways, but for this program, the characteristics of applicants made the completion of separate forms less of a problem than for the other two programs. As a result, a single application form would probably not produce a dramatic improvement in the already relatively high Cal Grant A application completion rate.

Implications for Cal Grant B

1. The subjective questions in the Cal Grant B scoring system are all included on the Cal Grant B Supplement, and more objective measures of disadvantagement would need to be developed before the required data could be included on the SAAC form and the Supplement eliminated.

2. The elimination of the Supplement for Cal Grant B applicants would probably improve the application completion rates by eliminating some of the current confusion over program application requirements and deadlines.

Implications for Cal Grant C

1. There are portions of the Cal Grant C scoring system that rely on an essay by applicants and responses to a series of questions contained on the Cal Grant Supplement. The essay provision could not be transferred to the SAAC form, and a careful review would be necessary to determine which ingredients of the current Supplement are essential to foster program purposes.

2. Simplification of the application procedures for the Cal Grant C program would probably improve application completion rates.

OPTION 2: Consolidate the Application and Award Process but Maintain Separate Programs

Implications for Cal Grant A, B, and C

1. This option would better serve the needs of the full range of students depending on the three separate Cal Grant programs.

2. There would be a single application form and process thereby eliminating the problems encountered by some students who do not know which program is most appropriate for them. Refinement of the application form, including possible elimination of the current Supplement, would provide the needed data for the Student Aid Commission to determine which program or programs the student is qualified to receive and at the same time increase current rates of application completion.

3. Once the Commission determined the program or programs each applicant was qualified to receive, processing would be done through a fully automated system to determine recipients within the authorized grant and funding constraints (such an automated system might also permit a later application deadline and permit more low-income, financially needy students to apply).

4. Those who qualified to receive more than one award could be informed of both the short- and long-term financial implications of each option, and the best option for them could be presented clearly.

5. The cost of this option would be those associated with software development, yet the implementation of such a system could provide considerable benefits to students and in the long run reduce State personnel costs. Any other costs from increased awards or grant levels would be more properly charged to the separate programs and would depend on which of the policy options outlined earlier were selected.

IMPROVED APPLICATION DEADLINE

The Student Aid Commission uses an early February application deadline for its programs that is approximately one month earlier than the ones used by public four-year institutions. The early deadline has been the subject of widespread criticism from all segments, because its continued use excludes potential financial aid applicants who do not make up their mind early about whether they want to attend college or where they would like to attend. The available evidence suggests that the early deadline tends most often to exclude older, non-traditional students, and those from low-income families and ethnic minority groups. The Student Aid Commission has resisted changing its deadline because it wanted to maintain its May announcement date for new awards and could not accommodate a later deadline because of its cumbersome procedures for evaluating applications and distributing grants.

The manner in which applications are processed and evaluated and awards distributed by the Student Aid Commission does not make use of modern computer technology and sophisticated software. The incomplete automation of the Student Aid Commission's processing creates a number of problems and contributed to the early application deadline and the timeliness of information for policy research among others. A recent report by the College Scholarship Service on Delivery of Cal Grants touches on some of these questions, as well as on the need to simplify the applications themselves.

OPTION 1: Change the Cal Grant Application Deadline to Coincide With the Early March Application Deadlines for Financial Aid Employed by the Public Four-Year Institutions

Implications for Cal Grant A, B, and C

1. A later application deadline would permit more low-income, minority, and other students who typically make later college application decisions to still apply for State financial aid.

2. Coupled with additional grants, such a change would likely increase the number of such students attending California colleges and universities.

3. The later application deadline would not affect the current May announcement date if the Student Aid Commission modernizes its application and grant processing in a manner like that outlined in the prior option.

INSTITUTIONAL NOTIFICATION OF COMMUNITY COLLEGE RESERVE WINNERS

The analysis of renewal rates in the Community College reserve part of the Cal Grant A program in Characteristics of Cal Grant Applicants and Recipients demonstrated that the procedures used to notify institutions about new reserve winners are not achieving their desired effect and the result is a serious loss of high-ability, potential transfer students.

The Community College reserve program, unlike the regular Cal Grant A award process, does not have statutory limitations on the number of new awards. Between 1980-81 and 1983-84, between 2,034 and 2,939 new reserve recipients were selected annually, and 1,260 to 1,360 prior-year reserve winners renewed their awards. The number of new recipients increased to 3,379 in 1984-85.

The number of new recipients each year is determined by the number of Community College reserve applicants who meet or exceed the grade-point cutoffs for the regular part of the program. These winners can then renew their reserve awards if they continue to demonstrate financial need and make satisfactory academic progress. When they transfer, they activate their award and receive the same size grant as regular Cal Grant A recipients in that segment.

The number of reserve awards has grown in recent years, but the Commission's study found that renewal and transfer rates among reserve winners were quite low. Of the new Community College reserve winners in 1980-81, for example, only 36.7 percent renewed their award in 1981-82 and just 13.0 percent transferred to a four-year institution and became regular Cal Grant A renewal winners. In other words, slightly less than 50 percent of the new pre-freshman reserve recipients were still in the program just one year later, compared to a 77 percent renewal rate for pre-freshman regular Cal Grant A recipients in 1981-82. The greatest attrition in the Community College reserve program occurs among pre-freshman recipients in their first year in college, as it typically does among all first-year college students. Those who re-enroll their second year, or in this instance renew their Community College reserve awards, persist in greater numbers in subsequent years. Consequently, if the number of these awards were limited by statute, the substantial first-year attrition rate would suggest delaying identification of recipients until the sophomore year or on the eve of transfer. The number of new awards is not restricted, however, and depends only on the number of qualified applicants who meet the grade-point cutoff of the regular program.

The advantage of early identification of these potential transfer students appears to be lost even though Community College reserve winners are made known to both the Community Colleges they attend initially and the institutions to which they want to transfer. Privacy laws or other factors do not appear to discourage the identification of these students, but so far the process of identification used has proved ineffective. At least two points seem clear:

- The current process of providing Community College presidents with a list of reserve winners attending their institution and designating Community

College reserve winners with asterisks on the list of new recipients sent to the financial aid offices at four-year institutions has clearly not reduced attrition in this group. For some reason, the information about the transfer process is not reaching these potential transfer students, and they are not being informed about their chosen four-year institutions' academic expectations, costs of attendance, financial aid programs, and other pertinent information. Moreover, the substantially lower percentage of reserve winners than regular winners at each income level receiving Pell Grants suggests that the reserve winners are probably not receiving the financial and other support services they need at the Community Colleges.

- If students could sign a waiver on the reserve application form giving the Student Aid Commission authority to inform both the recipients' Community Colleges and intended transfer institutions that they were reserve winners, both institutions could make available needed academic and financial counseling through personal outreach. By this means, the renewal and eventual transfer rate for Community College reserve winners might be improved to the same level as that for regular new Cal Grant A recipients, and the number of Community College reserve grants actually being activated by transfer students would increase by at least 50 percent, with no change in authorized new awards or other program provisions.

SEVEN

THE QUESTION OF CONSOLIDATION

At present each of the three undergraduate grant programs serves its own distinctive constituency and fosters certain State goals for financial aid. Nevertheless, there is some overlap in applicants and recipients who qualify for awards from more than one program and must choose the grant they wish to receive. For example, approximately 35 percent of all the applicants for either Cal Grant A or Cal Grant B currently apply for both programs but nearly two-thirds of all applicants apply to only one program. Of those who apply for either a Cal Grant A or Cal Grant C award, scarcely 6 percent apply for both; and there is little overlap between the Cal Grant B and Cal Grant C applicant pools.

The Student Financial Aid Policy Study Group in 1978 recommended that the Cal Grant A and Cal Grant B programs be consolidated into a single program. Whether a consolidated program could better meet the State's goals for financial aid and more effectively serve the range of students currently receiving financial aid from the separate programs depends in large part on the size, funding level, eligibility criteria, and distribution mechanism selected. Furthermore, consolidation per se might simplify the application and award process, but it would not solve the problems limiting the effectiveness of current programs unless it also reduced the growing gap between the number of grants and number of financially needy applicants, narrowed the increasing gap between the size of each grant and educational costs, mitigated the increasingly restrictive eligibility provisions, and targeted awards in such a way as to foster greater access and choice.

At least three options might be considered for a consolidated Cal Grant A and Cal Grant B program:

OPTION 1: Consolidate the Two Programs Using the More Inclusive Cal Grant A Eligibility Criteria and Distribute Awards on the Basis of Demonstrated Financial Need and Grade-Point Cutoffs

Implications

1. Such a consolidated program would eliminate large numbers of low-income, minority recipients currently receiving Cal Grant B awards because between 60 and 80 percent of current Cal Grant B recipients do not meet the present Cal Grant A grade-point cutoffs.

2. A consolidated program would need to determine whether to include or exclude Community College students from eligibility. If they are included, as they are presently in the Cal Grant B program, it is difficult to

determine what impact they would have on the overall distribution of awards, but if they were excluded, as they are currently in the Cal Grant A program, over 3,600 low-income and minority Community College recipients would be eliminated.

3. Provisions for maximum grant levels would need to include or exclude the present Cal Grant B subsistence grant or redefine the maximum grant, perhaps as some predetermined percentage of remaining financial need. The latter approach would be the most equitable and would provide larger grants to remaining low-income recipients.

4. Consolidation, especially if it were accompanied by an increase in the number of awards, would probably result in a lower grade-point cutoff than currently exists in the Cal Grant A program, but such a change would not be as effective in adding additional low-income and minority recipients as comparable increases in authorized awards for the Cal Grant B program because large numbers of current Cal Grant B recipients with low grade-point averages would still be excluded from a consolidated program.

OPTION 2: Consolidate the Two Programs but Target Grants to the Types of Low-Income and Minority Students Currently Served by the Cal Grant B Program

Implications

1. Targeting awards under a consolidated program to serve primarily the types of low-income disadvantaged students receiving Cal Grant B awards would require a much more restrictive definition of program eligibility, perhaps including lowering the existing Cal Grant A income ceiling. This would accelerate the decline in the number of awards going to recipients at independent institutions and to the University of California and remove eligibility from many of the current financially needy middle-income Cal Grant A recipients.

2. Such a program would clearly stress the access goal for State financial aid, but it would reduce the current commitment to providing choice except for low-income recipients.

3. The maximum grant could include either the current subsistence and tuition provisions of Cal Grant B (presumably without the provision prohibiting tuition coverage the first year) or rely on defining the maximum grant as some predetermined percentage of remaining need.

4. To successfully target awards primarily to low-income students would probably require elimination of the grade-point distribution mechanism used in the Cal Grant A program, and this might create a situation where some awards would be offered to students applying to institutions at which they are not admissible.

OPTION 3: Consolidate the Two Programs and Expand Funding and the Number of Authorized New Awards Sufficiently to Continue to Serve the Same Wide Range of Students Currently Served by the Separate Programs

Implications

The most likely approach to assure that both more low-income, disadvantaged students attending all segments and middle-income students attending four-year institutions continue to be served by State financial aid programs would be some type of entitlement program, perhaps assuring grants to all applicants with a certain level of demonstrated financial need and a minimum grade-point average. But as the entitlement options for the separate programs illustrated, the cost of implementing such a consolidated option would be staggering, even if no attempt were made to broaden current eligibility criteria or to increase maximum grants to cover remaining need more fully.

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

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